151

G. R. S. IX-5]

Previous references. 1896-97

File No. 2.

Serial Nos. 1–21

(Confidential)

Later references.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1–21

M. ~~Part~~ B for

SUBJECT.

Surplus Investments

---

861 P40 E

Indore Bank

W D 68—GPB—50,000—24-7-18

Govt's 3.05,200
Imperial Bank 21,50,000

Total 24.55.200 W/f + date 26/8/96

59 Strand London W. C.

4 August 1896.

Sir

Your telegram of the 1st instant reached us after the close of the Stock exchange on that day and yesterday being a Bank holiday we have today purchased through our Brokers in accordance with your instructions

Rs 100,000 Indian Govt 3½ p. Ct. Notes 1854/5, at 64 15/16 p. Ct. £ 6493.15.

Interest from 30 June to 13 August 44 days. 42. 3.10

£ 6535 18.10

Rs: 205200 — do.— do. at — do. — 13325. 3.6

Interest

Interest from 30 June } 86
to 13th August 44 days }

19947 13 10

Brokerage 49 18 4

£ 19997 12 2

To be charged to the Royalty
account on the 13 instant

As a matter of regularity
we would ask you to be so
good as to obtain the Devans
signature to the enclosed form
of approval in regard to the
above transaction and return
it to us in due course

We shall no doubt
receive your instructions as
usual as to the disposal
of the Notes -

We are
Sir
Your most Obedient Servants
pp Coutts & Co

E. R. Subrayer Esqre
Comptroller
The Mysore Govt

26th August 1896.

Messrs Contts and Co

I hereby approve of your having purchased on the Mysore Government Royalty Account Rs 305200 Indian Government Guaranteed 3½ p ct Promissory Notes in accordance with the Comp Avelles Telegram of the 5th August 1896.

Sd/ K Sheshadri Iyer
Dewan of Mysore

26th August 1896

Messrs Contto and Co

I hereby approve of your having purchased on the Mysore Government Royalty account Rs 305200 Indian Government Guaranteed 3½ p ct Promissory Notes in accordance with the Comp Rollers Telegram of the August 1896

Wm K Sheshadri Iyer
Dewan of Mysore

N° 2 / D e

dated Bangalore 20 July 1896

Secy to Treasy

Bank of Madras
Madras

Request that you will be so good as to tender on behalf of the State for a Sum of Sixty lacs of Rupees in the new 3½ loans. I am unable for the present state of the market to give any definite rates for the tender

but I am deputing Mr E R Sub-treasurer the Comptroller to the Mysore Govt to confer with you regarding the rates He will mention to you my own views

I propose with 30 lacs to the old Rates which are likely to remain more or less permanent & allot the other 30 lacs at rates below par Subject to this basis I leave the actual rates

The amounts at each rate to be settled by you in Consultation with Mr E R

Part Draft

No. 2
D. C

Office of the Dewan of Mysore

Dated Bangalore, 20 July 1896

From

Sir K. Sheshadri Iyer
K. C. S. I.
Dewan of Mysore

G. D. Ker, Esquire
Offg. Secretary & Treasurer
Bank of Madras

Sir,

I have the honor to request that you will be so good as to tender on behalf of the State for a sum of Sixty lacs of Rupees on the usual 3 per cent loan

I am unable in the present

state of the market to fix

definitely any rates for the

tenders but I am deputing

M E R Subbarayan the

Comptroller to the Mysore Govern

ment to confer with you

garding these rates He will

mention to you my own views

I would work 30 lacs to be

tendered at rates

which are likely to ensure

an allotment and if necessary

above par and the other 30 lacs

at rates below par with the

chance of getting an allot

ment Subject to this work I

leave the actual rates and the amounts at each rate to be settled by you in consultation with Mr. E. R. Subbarayan

I have the honor to be

Sir

Your most obedient Servant

Sd K Seshadri Iyer

Dewan

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO THE BANK OF MADRAS.

Bank of Madras.

Madras 23 July 1884

Sir K Sheshadri Iyer K C S
Dewan of Mysore
Bangalore

I have the honor to acknowledge receipt of your letter No 2/C of 20th inst which was handed to me personally by the Comptroller on the 21 inst

In connection with that Gentleman I tendered on behalf of your Government for 90 lacs of the new 3% loan at rates ranging from 98 11/16 to 102-6, but you will have learned through our Bangalore Agent, to whom I wired urgent this morning, that these rates failed to secure any allotment

I pointed out to the Comptroller that in order to ensure an allotment, he would have to tender at higher rates, but he preferred to have your tender upon the same lines as ours I now await your further instructions as to the purchase of paper on your behalf

Government paper is from today 3½% guaranteed being quoted @ 104 12 & the new loan @ 103.12- In buying

for you I shall be glad if you will fix a limit of price & leave it to my discretion to buy ready or for forward delivery as opportunity may offer You may rely on my doing my best for you

I enclose a circular having reference to a Municipal 3½% loan of 20 lacs about to be issued by the Calcutta Municipality as it has struck me that you may like to tender for the loan It is difficult to name a rate which is likely to secure an allotment but I may mention that the 4% Debentures of this municipality are nominally quoted @ 108. but they are firmly held & cannot be bought at the price The general feeling seems to be that the 3½% debentures will go at a premium

Should you wish to tender you should let me know before the end of the month as it would be advisable to send tenders by post direct from here

I have the honor to be

Sir

31 July 26

With thanks
I have the honor to acknowledge the receipt of
yr letter of the 23 Instant & in reply to state
that we have to proceed cautiously in making
our investments so as not to disturb
the market with a large order but may
begin with tentative investment of
6 Lacs in Gilts 3½ or 3% Govt Paper about guaranteed
Rs 110 for the former & Rs 103 for the latter W.
the lowest of prices I W for ready delivery
You can of course buy forward
delivery acc. to yr discretion for Correspondingly
lower prices

When you have succeeded in investing 6 Lacs or more about Six Satisfactorily we would aspire to further investments

The State has altogether some 40 Lacs or more to invest this year

I have to make it a rule not to invest in Govt Paper only & therefore Municipal Debentures is of no use to me If I can get Some very good Stocks investments I W put Some 20 or 30 Lacs into it This perhaps is not Easy but if you can give me any info about Such investments I shall feel very much obliged Thanks

Corporation of Calcutta.

LOAN NOTIFICATION.

The Commissioners of Calcutta are prepared, with the sanction of the Governor General in Council given under Section 404 of Act II. (B. C.) of 1888, to open a Debenture Loan for Rs. 20,00,000 (twenty lakhs) on the security of the rates, taxes and fees imposed and levied under the Calcutta Municipal Consolidation Act, 1888.

2. The Debentures will have a currency of fifteen years from the 1st December, 1896, and will bear interest at the rate of 3½ per cent. per annum, payable on the 1st June and 1st December of each year.

3. The form of the Debentures will be that given in the twelfth schedule of Act II. (B. C.) of 1888.

4. No Debentures will be issued for any sum less than Rs. 500, and above that amount Debentures will be issued only for complete sums of Rs. 100.

5. Tenders for the whole or any part of the above Loan of Rs. 20,00,000 will be received by the Secretary to the Corporation up 2 o'clock P.M. of Friday, the 7th August 1896.

6. Each tender must be made out in the form annexed to this Notification, and enclosed in a sealed cover addressed to the Secretary to the Corporation, and superscribed "Tender for Municipal Loan of 1896-97."

7. Each tender must be accompanied by Government Promissory Notes, Calcutta Municipal Debentures, currency-notes or cheques for not less than 3 per cent. of the amount tendered.

8. When a tender is accepted, the deposit, when made in currency-notes or cheques, will be held as payment in part of the amount tendered, and will bear interest at the rate of 3½ per cent. per annum from the date of acceptance of the tender provided that the whole amount tendered is paid up in the manner hereinafter prescribed; but no debenture will issue for the sum so deposited so long as the entire amount of the tender is not paid.

9. The deposits on tenders, which may not be accepted, will be returned on application, and no interest will be payable on such deposits. If an allotment after being made is not taken up, and the full amount allotted is not paid as hereinafter prescribed, the deposit will be forfeited.

10. The rate at which a tender is made must be specified in rupees, or rupees and annas: a tender in which the rate is not so specified will be rejected as null and void.

11. The rates stated in a tender must not contain any fraction of an anna. If a rate containing a fraction of an anna is inserted in any tender, such fraction will be struck out, and the tender treated as if the rate did not contain such fraction of an anna.

12. The amount of the accepted tenders must be paid into the Bank of Bengal in the following instalments:

One-third by the 21st August.
Do. by the 21st September.
Do. by the 26th October.

Parties, whose tenders are accepted, will have the option of paying all or any of the instalments before the dates specified above, and will receive interest from the date of such payment.

13. Anticipation interest will be paid on all instalments from the respective dates on which such instalments are paid into the Bank of Bengal to the 30th November 1896.

14. In the case of two or more tenders at the same rate a *pro rata* allotment will be made (if the tenders are accepted), but no allotment will be issued if the amount distributable on any tender is less than Rs. 500.

15. A minimum having been previously fixed, tenders will be opened by the Loan Committee of the Commissioners at 2-30 P.M., on Friday, the 7th August 1896, at the Municipal Office.

MUNICIPAL OFFICE:
CALCUTTA, 29th June 1896.

W. R. MACDONALD,
Secretary to the Corporation.

FORM OF APPLICATION FOR DEBENTURES.

I hereby tender for Rs. of the Municipal three and half (3½) per cent. Debenture Loan for 1896-97 and agree to pay the same subject to the conditions notified at the rate of Rupees annas for every Hundred Rupees allotted to me.

I enclose Government Promissory Notes, Calcutta Municipal Debentures, currency notes, or a cheque for Rs.

Signed

Dated

512

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO THE BANK OF MADRAS

107
21

Bank of Madras.

Madras, 3rd August 1896

To
N Sheshadri Esq. K.T. C.I.E.
Dewan of Mysore
Bangalore

Sir

I have the honor to acknowledge receipt of your letter No 5/D.C. of 31st Ultmo I hope to be able to secure some 3½% guaranteed paper at your limit but I may say that our latest quotations are 110 R from Bombay & R 109 11 15 from Calcutta, & the markets appear strong. Your limit of R 103 for 3% paper is altogether unworkable, the present quotations for this loan being 0 24 4 in Bombay & 104 16 in Calcutta.

The market here for Government paper is very limited & prices are usually 2 to 4 annas higher than in Calcutta & Bombay & it will therefore be more advantageous to buy for you in those markets the cost of transferring funds to Calcutta or Bombay being 1/16 to 1/8%. You will be charged only the actual cost whatever it may be. I note that you do not care to invest in Calcutta Municipal Debentures.

C

Good sterling investments command a very high price 2 3/4% Consols (to be reduced to 2 1/2% in 1903) are quoted @ 113 9/16 & 3 1/2% Indian Sterling Loan @ 120 1/2 — First class Railway Stocks are also at a high premium yielding investors from 2 1/2% to 2 3/4% Sterling investments would have to be made through our London Agents the Bank of England & it would be necessary to lay funds down there prior to purchase

I enclose a cutting from last weeks Capital with reference to the recent issue of £1,000,000 Metropolitan 2 1/2% Stock & the general rise in gilt edged investments in recent years

I have the honor to be
Sir
Your most obedient Servant

Secretary Treasurer

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO THE BANK OF MADRAS.

P/ 107/28

Bank of Madras.

Madras. 4th Augt 1896

To
Sir K Sheshadri Iyer K.C.S.I
Dewan of Mysore
Bangalore

Sir

In continuation of my letter of yesterday date No 104/2 I have now the honor to advise having purchased on your account 4 lacs of 3 1/2% guaranteed paper delivery in Calcutta on 7th inst @ 109 14

Quotations now come from Bombay 110 buyers & from Calcutta 110.1 for ready paper I hardly expect to be able to complete your order at the limit given I am however endeavouring to secure a further two lacs for forn and delivery & will advise you further in due course

3½ paper is quoted today 104 14

I have the honor to be

Sir Your Most Obedient Servant

Ag Secretary Treasurer

Sl 4

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS."

10/29

Bank of Madras.

Madras 11th Aug 1896

Subj

He must have the one below Mrs Mark of the 6/0

To
W. K. Sheradin Esqr M.A.S.L
Dewan of Mysore
Bangalore

In continuation of my letter No 104/28 of yesterdays date I have the honor to inform you that quotations for Government Paper from Bombay & Calcutta respectively are as follows

Bombay	3½%	Guaranteed Paper	110 3
	3%	New Loan	105
Calcutta	3½%	Guaranteed Paper	110 8
	3%	New Loan	105 buyers

Local prices are slightly higher but quotations in Madras are more or less nominal, very little business being done here

As the above quotations exceed the limits you have given me I am at present unable to procure further papers on execution of your order and await further instructions

I have the honor to be
Sir
Your Most obedient Servant

A/g Secretary & Treasurer

No 6/DC 7 5/8/96

515

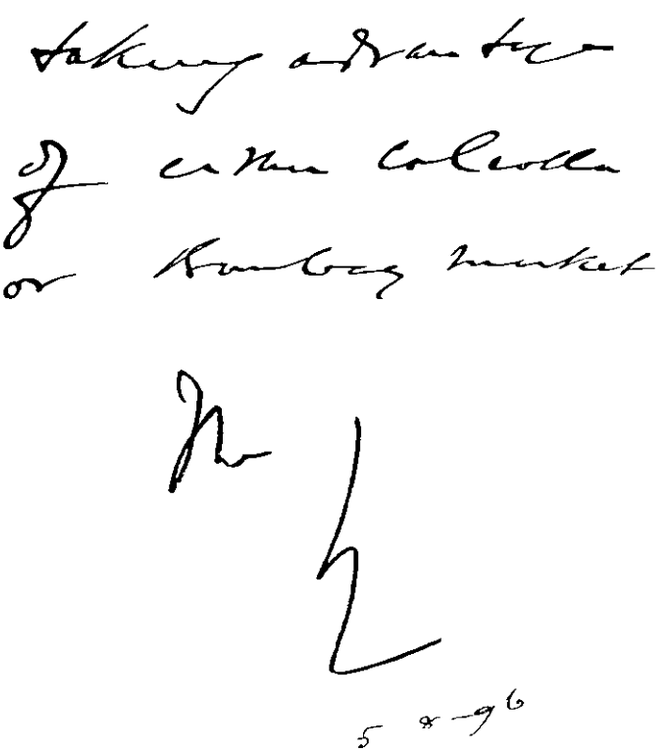
Sir

I have the honor to acknowledge the receipt of your letters No 2/107 A of 21 ult 107/28 & 3rd & 4th inst respectively I am glad to find you have been able to purchase some lots of 3½% Guaranteed paper at 109 14 0 & that you are endeavoring to buy another lot forward delivery I do not wish to invest in ~~any more contracts~~ at 3% paper unless the Rate is greater

Except at 103 or less

~~very considerably~~ I
~~to~~ like to invest
all the surplus
available for
investment in 3½%
~~for a term~~
Guaranteed for
the purpose ~~above~~

~~buy shares and bonds~~
~~unlimited amount of~~
~~110 & 9~~ I ~~to~~
~~to~~ buy shares
Guaranteed 110 & 9
& ~~exchange~~ leave it to
~~for~~ for a term
to invest ~~above~~
Cautiously & to
invest some 20 or
30 Cases more in the
Course of the next
three months



SL 6

No 4 D/ 6th August 1896

Sir DC

Our letter
~~Your letter~~ of yesterday must have crossed ~~each~~ each other I have already extended the limit for Ready 3½% Guaranteed to Rs ~~Rs~~ 110½ and trust this will enable you to invest for us up to a limit of 30 lacs. The market is apparently very unsettled & it may not be ~~desirable~~ to place more than a moderate order at a time but this is a matter I am content to leave to your discretion entirely

Yours

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS"

Confidential

Bank of Madras.

547

Madras. 6th Aug 1896

To
V. N. Chandra Iyer Esq B.A.L.
Dewan of Mysore
Bangalore

Sir

I have the honor to acknowledge receipt of your letter No 6/D.C of 5th inst extending your limit for 3½% guaranteed paper to 110 8 + leaving it to my discretion to invest as opportunity may offer 20 to 30 (twenty to thirty) lacs more at the best rates in Bombay or Calcutta as may be most advantageous. Your instructions will have my earnest attention

Paper comes today, Calcutta 110.8 to 110.4 + Bombay 110 The feeling is a little easier especially in Bombay but I do not anticipate much of a fall The Bombay market appears for the moment the most advantageous + I have wired an order for two lacs which I hope to secure at about 109.14 or better, for delivery at the end of the month

I shall advise you from time to time of the purchases I may be able to make

I have the honor to be
Sir
Your most obedient servant

Secretary Bankers

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS."

Bank of Madras.

Madras 7th Aug 1896

Sir K Sheshadri Iyer KCSI
Dewan of Mysore
Bangalore

Sir

I have the honor to advise the following purchases on your account

4 Lacs	2 Lacs for Delivery in Bombay on 10 inst	@	109.15
in the 4	2 do	2nd Sept	109.12

Total of 4 Lacs

Paper comes today Calcutta 100 4 Bombay 109.14 4 as the market appears to be rather unsettled I think it advisable to wait a little before investing further

I have the Honor to be
Sir
Your most Obt Humble Servant

As Secretary pro tem

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS."

Bank of Madras.

Madras 10th August 1896

To
H. Sheshadri Esqr C.S.I.
Dewan of Mysore
Bangalore

Sir

I beg to advise having purchased on your account for delivery 31st inst. Rs 25,000 (twenty five thousand) guaranteed 3½% paper @ 109-11

Paper comes weaker today 109-12/- 9 was old price from Bombay & 109-11 from Calcutta. I am delaying further purchases in the meantime

I have the honor &c

Your most obedient servant

Agent

5(10

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS."

Bank of Madras

Madras 13 Aug 1896

Sir N Sheshadri Iyer K C S I
Dewan of Mysore
Bangalore

Sir

I have the honor to advise having made the following purchases on your account

~~Rs~~ 25.000	delivery Cash @	109-10 at Madras
100.000	do Cash in Calcutta @	109-12
100.000	do Cash do	109-10
100.000	delivery in Bombay on 2d Sept.	109-9
100.000	do do	109-10
100.000	delivery in Calcutta on 17th inst	109 10
Total 5.25.000		

I have the honor to be
Sir
Your Most Obedient servant

+8/4 Lacs already purchased)
Total 13 1/2 Lacs to date

Agency Manager

Paper as Form Lodging with an upward tendency

ALL LETTERS TO
BE ADDRESSED
AND REMITTANCES
MADE PAYABLE TO
"THE BANK OF MADRAS."

Bank of Madras.

Madras. 5th August 1896

To
The Hon'ble Sheshadri Iyer. K.C.S.I.
Dewan of Mysore
Bangalore

Sir

I have the honor to advise having purchased on your account for cash in Calcutta a further 2 lacs of 3½% guaranteed paper @ 109-10.

13½ Previous purchase
2 "
Total 15½ lacs

It is rumoured that the 1893/4 loan is to be reduced immediately to 3% for 3 years only. If this be true we may see a drop in 3½% guaranteed paper. The quotations come today 109-10 buyers from Calcutta & 109.9 from Bombay. I shall defer further purchases till next week.

We may hear something definite regarding the 1893/4 loan on Monday.

I have the honor to be

Sir

Your most obedient Servant

Secretary

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO THE BANK OF MADRAS.

Bank of Madras

Madras. 18th Augst 1896

Sir K Sheshadri Iyer K.C.S.I
Dewan of Mysore
Bangalore

Sir

Since my last advice, the Paper Market has been weak & latest quotations come as follows

Calcutta	109. 4
Bombay	109. 4

I have made no further purchases & think it best to wait until the market is a little more settled The fall is said to be due to the political telegrams from Europe

I have the honor to be

Your most obedient Servant

Governors & Directors

S(L)

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS."

Bank of Madras.

Madras 21st August 1896

Sir K Sheshadri Iyer KCSI
Dewan of Mysore
Bangalore

Sir,

I have the honor to advise having purchased on your account for delivery in Bombay on the 2nd Sept a further two lacs of 3½% guaranteed paper @ 109 ½

I have the honor to be

Your Most Obedient Servants

15½ already purchased
2 now
Total 17½ up to date

Agr. Secretary Mysore

As per advice from Bombay we have just moved to Bombay to buy a further 2 lacs at same rate if procurable

No 116

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS."

51 11p

Bank of Madras.

Madras 24th August 1896

To
K Sheshadri Iyer KCSI
Dewan of Mysore
Bangalore

Sir

With reference to the postscript to my letter of 21st inst I have the honor to advise having purchased the further two lacs of 3½% guaranteed paper @ 109.7 delivery in Bombay on the 2nd September

I have the Honor to be

Your Most Obedient Servant

Agent Secretary & Treasurer

17½ Mysore Portland
2 Mrs
19½ Mr & Dale

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO THE BANK OF MADRAS

Bank of Madras.

Madras 25 August 1896

To
H Sheshadri Iyer Esq C.S.I.
Dewan of Mysore
Bangalore

Sir

I have the honor to advise having purchased on your account a further 2 lacs of 3½% guaranteed paper @ 109 7/8 for delivery in Bombay on the 2nd September

I have the honor to be

Your Most Obedient Servant

194½
2
21½ wh Date

Agt Secretary & Treasurer

Paper seems steady at present rates

5(11

Banks of Madras.

Madras 28 Augt 1896

Sir K Sheshadri Iyer &c &c &c
Dewan of Mysore
Bangalore

Sir

I have the honor to advise having purchased on your account a further two lacs of 3½ % guaranteed paper @ 109-6 for delivery in Calcutta on the 1st September

In addition to the 4 lacs purchased in terms of your letter of No 5/96 of 31st ultmo I have now purchased in terms of your letter of 5th inst No 6/96, 19½ lacs (nineteen & a half at an average of 109-9-5 which I hope you will consider satisfactory

2 3½ lacs in addition to 3.05.20 cattles

Unless I hear from you to the contrary, I shall continue to purchase as opportunity may offer up to your limit of 30 lacs

The market has been fairly steady for the last few days, my latest quotations for ready paper from Bombay & Calcutta being 109 ¼

I have the honor to be

Your most obedient Servant

Dy Accountant General

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS"

Bank of Madras.

Madras 3rd Sept 1896

To
Sir K Sheshadri Iyer K C S I
Dewan of Mysore
Bangalore

Sir,

Since my last advice there has been a considerable fall in paper, the quotations both from Bombay & Calcutta shewing a steady decline of 2 to 3 annas daily. I have therefore refrained from making further purchases until the fall is arrested. Todays quotations are as follows

Bombay – 109
Calcutta 108-14

It is not satisfactory having to invest in a falling market, for rates which seem good today, prove to be the reverse on the day following.

The fall in new 3% paper has been even more marked than in the 3½% guaranteed loans. Latest quotations are 103-4 to 103-8 & I am keeping in mind your desire to secure some of this loan, should it come to your limit of 103

I have the honor &c

your most obedient Servant
Ag Leeds Anderson

No 18
DC

Leeds

Sir

I acknowledge with thanks the receipt of Yr
letter of the 3d Instant I note with Satisfaction
your attitude of Caution in making purchases
in the present falling Market Another Leg
or Eighth Loan more need also be
Invested in Yr this Season Then may be
Invested Either in 3½% Guaranteed for a
term or in 3% with a limit
of 103, as you find the cheaper
kind of Investment for the State
Please watch till the rate touches
what you may regard as a Minimum
under existing Circs & then Invest
Say a Eighth Loan & afterwards
stop for the present Season

Yours Truly

by Sept 4 96

5117

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS"

Bank of Madras.

Madras. 17 Sept. 1896

To
Sir K. Sheshadri Iyer K.C.I.E
Dewan of Mysore
Bangalore

Sir,

I have the honor to advise the following purchase on your account in terms of your letter No 18 D.C of 14th inst viz

2 lacs 3% 1896/7 loan at Calcutta, ready, @ 102·4.

You will observe that this is considerably below your limit of 103 There has been a sharp fall in Paper during the week past in which the Calcutta market has led the way This is in a great measure due to a better demand for money, the Bank of Bengal rate having been put to 5% Paper has fallen in Bombay in sympathy with the Calcutta market but money is still very easy there the Bank of Bombay rate being still 3% & their Govt balance by last published statement 283 lacs

The paper market is very uncertain & it is possible there may be some recovery after the recent heavy fall I should however wait a day or two before making further purchases

Yr

The latest quotations are as follows

	Calcutta	Bombay
3½% Guaranteed Paper	104 8	104.10
3% Paper	102 4	102.4

I have the honor to be

Sir

Your most obedient Servant

Secretary & Treasurer.

№116

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS."

5119

Bank of Madras.

Madras 21st Sept 1896

Sir K Sheshadri Iyer KCSI
Dewan of Mysore
Bangalore

Sir

In continuation of my letter of 17 inst I have the honor to advise having purchased on your account a further lac of 3% Paper @ 102-2 for cash delivery in Calcutta

I have the honor to be
Sir
Your most obedient Servant

Agt Secretary & Treasurer

Loan
2 Lacs on
1 Lac
3 Lacs

ALL LETTERS TO BE ADDRESSED AND REMITTANCES MADE PAYABLE TO "THE BANK OF MADRAS"

Bank of Madras.

Madras 28nd Sept 1896

Sir N Sheshadri Iyer K.C.S.I.
Dewan of Mysore
Bangalore

Sir

In a recent letter you made enquiries regarding Investments in English Railway Stocks & Shares now the honor to enclose a cutting from the Economist received by this weeks mail reviewing the yield on Home Railway ordinary stocks which may be of interest to you.

Govt of India Paper continues to decline, though it is difficult to assign adequate reasons for the present heavy fall. No doubt the political outlook in Europe has something to do with it as also the withdrawals of Gold from the Bank of England for America

The latest quotations are as follows

	Calcutta	Bombay
3½ % Paper	104	00. 15-
3 %	102 2	15

I have not made any purchases on your account

I have the Honor to be
Sir
Your most obedient Servant

Asst Secretary & Treasurer

THE YIELD ON HOME RAILWAY ORDINARY STOCKS.

Now that the dividend season in the Home Railway market has passed and prices are with very few exceptions, quoted clean of accrued interest a fairly accurate idea may be gained of the current rate of return to investors in these stocks. The past twelvemonth has been a period of transition from poor results to comparative prosperity so far as the railways are concerned. For the first half of 1895 dividends were decidedly poor, in consequence of the severe weather and the continued dulness of trade. But in July of last year the aspect of affairs was quite changed for in that month the great improvement in traffics which has since resulted in so important and general an increase in dividends set in So marked a change for the better in the position and prospects of our railways has certainly not been witnessed since 1889 but it is still to be noted that though dividends have so much improved during the past year, yet in several instances they are still below those paid in 1889. Prices on the other hand are with very few exceptions, much higher than those which ruled in 1889; so that with lower dividends on the one side and higher prices on the other the yield has decreased considerably.

Before the present improvement in dividends set in the return afforded on Home Railway ordinary stocks generally was as low as 3 to 3½ per cent., whilst on the more speculative stocks it was even less. But as the distributions were then below the average, the low yield on the then current dividends was very reasonably regarded as only the natural corollary of the discounting of the future by the prices then ruling That anticipated improvement in the rates of distributions has now been realised to a large extent but prices have risen to an almost corresponding extent so that the prevailing return obtainable on these stocks is no larger than it was before the improvement. For many years past there has, of course, been a tendency towards a lower permanent rate of yield on the ordinary stocks of British railways. This is only a very natural accompaniment to the diminishing yield on all high-class securities and in particular, the decline in the return on Home railway debenture and preferential stocks, which have risen in value so persistently since 1889 Latterly however the investment demand for the ordinary stocks, created and fostered by the falling rate of return on the prior stocks appears to

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THE MONEY MARKET.

THE dominating influence in the money market at present is the financial unsettlement in the United States. More gold has been taken from the Bank this week for shipment to the States, and there is the probability, if not the certainty, of further withdrawals. It is only natural, therefore, that discount rates should harden, and the quotation for best three months' bills has risen to 1 $\frac{3}{16}$ per cent. This rise, however, is not wholly to be accounted for by the fact that gold has been going, and is likely to continue to go, hence. The Bank now holds fully £5,000,000 more of the metal than it did at this time last year, when, as now, its rate stood at 2 per cent. In itself, therefore, the withdrawal of two or three millions is not a matter of material concern. Much more disturbing are the circumstances under which the shipments are being made. These are partly due to the efforts which the allied banks and finance houses on the other side are making to maintain the Treasury's gold reserve, and are partly in response to the very high rates for money that are now ruling in New York. But, as we showed last week, the efforts of the syndicate have thus far been only partially successful, as the gold the Treasury has received it has been unable to retain. It is still doubtful, therefore, whether the help given it will enable it to tide over the interval between now and the elections. And the scarcity and dearness of money in the States are occurring at an unfortunate time. The stringency is sure to be made use of by the Silverites as evidence that the country is suffering from a lack of currency which the free coinage of silver would remedy. And if the New York banks are compelled as is not improbable to have recourse to an issue of clearing-house certificates, this argument will become all the more plausible. It is very doubtful, too, whether

have been increasing very much, and to this factor, quite as much as to the improvement in dividends, may the rises in quotations be attributed. The reason for the advance in capital values of the ordinary stocks during the past twelvemonths has, thus been a twofold one. On the one hand has been the increased investment demand, created by the continued cheapness of money and on the other, the speculative demand based on improving traffics and increased dividends.

In the following table we show the return on present prices, based on the dividends for the year ended June 30th last

Stock.	Price, August 26 1896.	Dividend for Year ended June 30,	Yield per Cent. £ s d
Caledonian Ordinary	164	5	3 0 10
Do Deferred	62	2	3 4 6
Glasgow and South-West. Ord	139	5	3 12 0
Great Eastern Ordinary	104½	2¾	2 12 7
Great Northern Deferred	54	1¾	3 4 10
Great North of Scotland Ord	124	3½	2 16 5
Great Western Ordinary	†180½	5⅝	3 5 1
Lancashire and Yorkshire Ord	152	5½	3 7 5
London and N.-Western Ord.	†205½	6⅞	3 6 11
London and S.-Western Ord.	213	6⅝	3 0 0
Do Deferred	77	2⅜	3 1 8
Lon., Brighton, & S. Coast Ord	195	6½	3 6 8
Do Deferred	184½	7	3 15 10
L. C. & D. Rail. 4½ % Arbn. Pref	135½	4½	3 6 5
Man., Shef. and Linc. Ordinary	56	1⅝	2 9 1
Do Preferred	88	2⅜	3 2 6
Metropolitan Ordinary	112½	3½	2 15 6
Do Surplus Lands	94	2⅝	2 15 10
Midland Ordinary	169	5⅜	3 6 7
North British Ordinary Pref.	94	3	3 3 10
Do Deferred	49¾	*⅝	1 5 0
North-Eastern Consols	178½	6¼	3 8 7
North London Ordinary	†223	7⅜	3 6 2
North Stafford Ordinary	133	4¼	3 4 0
South-Eastern Ordinary	149	4½	3 0 5
Do Deferred	104	3	2 17 8

Year ended January 31, 1896. † Adjusted to ex. div.

From the above it will be seen that the present actual yield varies from £1 5s per cent. on North British deferred stock to £3 15s 10d per cent. on Brighton Railway deferred stock. Regarding Caledonian and North British stocks it should be noted that as the dividend is that for the year to January 31st last, it takes no account of the improvement in the last half-year. The forthcoming dividends of these companies are expected to show a marked improvement, and this will materially improve upon the yield shown above. It may be mentioned that the first Scotch dividend announced for the half-year ended on July 31st that of the Glasgow and South-Western shows an increase of 1 per cent. on the distribution for the corresponding period. The average return shown in the above table is about 3¼ per cent. Nine stocks, including the most solid securities of this group, yield more than that rate. The stocks yielding under 3 per cent. include the most speculative in this market, such as Great Eastern ordinary, South-Eastern deferred and North British deferred. An average return of 3¼ per cent. on Home Railway ordinary stocks is undoubtedly a low one; but not unduly low compared with the yield afforded by the prior stocks. The preference stocks of the best companies, which rank immediately before the ordinary stocks, yield no more than 2½ per cent. London and North-Western preference stock, for example, yields just 2½, whilst its ordinary stock as shown above, yields £3 6s 11d, or nearly ⅞ per cent. more, the latter representing the compensation for the additional risk attaching to the ordinary stock. In the case of less substantial companies 2¾ to 3 per cent. can be obtained on the preference stocks, but not more; and where the latter rate is obtainable the margin of security is so slender as to render the risk almost as great as that incurred by holding an ordinary stock. There is this, moreover, to be said, that as the improvement in traffics still continues in a very marked way, further additions to dividends may be expected. unless something unusual occurs such as an extensive strike—to check the growth in gross receipts. In contrasting the yield on the ordinary stocks with that afforded by the prior stocks, this factor has to be reckoned with. Further, the fact that ordinary shareholders frequently receive bonuses in the shape of allotments of ordinary stock at prices lower than the market quotation, and thus come in for additions to their dividend income, whilst the prior stockholders as a rule get nothing of this kind, should also be kept in view.

Reference has already been made to the decline in the yield on the ordinary stocks compared with that obtainable a few years ago. In the subjoined table we show the return current in 1889 on the basis of the prices at the end of August in that year, and the dividends for the year ended June 30, 1889:

Stock.	Price End of August, 1889.	Dividend Year Ended June 30, 1889.	Yield per Cent. in August, 1889. £ s d
Caledonian Ordinary	127½	†4¼	3 14 9
Glasgow & South-Western Ord	114	†4	3 10 2
Great Eastern Ordinary	80⅛	2⅝	3 2 1
Great Northern "A"	109	3⅛	2 19 7
Great North of Scotland Ord	62	1¼	2 0 0
Great Western Ordinary	161	6¼	3 19 2
Lancashire and Yorks. Ordina.	126	4¾	3 9 5
London and N.-Western Ord	183	7⅛	3 17 11
London and S.-Western Ord	156	5¼	3 13 8
Lon., Brighton, & S. Coast Ord	158	6¼	3 19 1
Do Deferred	156	6⅛	4 3 4
L., C., & Dover 4½% Arb. Pref	110	3¾	3 10 5
Man., Sheffield, & Linc. Ord	86	2⅜	2 15 3
Do Preferred	128	4¼	3 14 2
Metropolitan Ordinary	85	2⅛	3 7 7
Do Surplus Lands Stock..	69	2⅛	3 12 5
Midland Ordinary	145	5⅜	3 17 7
North British Ord. Pref	79	†3	3 16 0
Do Deferred	58	†2	3 9 0
North-Eastern Consols	172	6¼	3 18 6
North London Ordinary	200	7½	3 15 0
North Stafford Ordinary	116	4¼	3 13 3
South-Eastern Ordinary	135	4⅜	3 8 6
Do Deferred	108	3¼	3 0 0

Year ended January 31, 1889

From the above it will be seen that seven years ago, when the position of the railways was very similar to that in which they now stand, the yield on the ordinary stocks ranged from £2 per cent. to £4 3s 4d per cent., and averaged nearly 3 per cent. Compared with seven years ago the return on these stocks may be said roundly to have fallen by ½ per cent. The average yield of the six principal stocks in August, 1889, we find was £3 16s 3d per cent., whilst the average yield of the same stocks at the present time is £3 5s 10d per cent. As the decline in the yield on the prior stocks of Home Railways in the last seven years has also been fully ½ per cent., the fall in the yield on the ordinary stock is not so surprising as it would otherwise be. This feature, nevertheless, affords further interesting evidence of the far-reaching effects of the long spell of cheap money

amount of the administrative expenditure, which is set down at £4,349,981. Thus he puts the surplus at £48,770, whereas the Agent-General claims that it amounts to £215,559, that being the amount of the balance at the end of the year. But, in the first place, this balance is arrived at by including with the revenue and expenditure certain receipts and outgoings on capital account. It is these that constitute the lower half of the balance-sheet, and our correspondent is blamed for ignoring them. When, however, the object is to ascertain the amount of the surplus revenue for the year, such intromissions with capital must obviously be excluded. Further, the balance which the Agent-General designates the surplus is brought out by including as a portion of the income for the year the balance that was brought forward from the previous twelve months, and the falsity of that method of accounting is capable of easy demonstration. Last year our revenue exceeded our expenditure by £4,210,000, and that, of course, represents the amount of the surplus. There was, however, at the beginning of the year a balance in the Exchequer of over £6,300,000, and the contention of Mr Reeves is that we would be justified in bringing that into account, and claiming to have realised a surplus of £10,510,000. To this contention our correspondent answers No, and so we are persuaded will every one else who considers the matter. Nor is this all. The Agent-General also maintains that there should be reckoned as revenue £145,000 realised by the issue of debentures under the Consolidated Stock Act, 1884. The effect of that Act may be very briefly stated. Certain sinking funds are attached to the New Zealand loans. In 1884, however, the Government, wishing to be relieved of the obligation to reduce the debt, but being anxious at the same time to avoid any infraction of the conditions under which the loans were raised, obtained from the Legislature power to issue each year debentures to the amount of the sinking funds. Under that arrangement the amounts of the sinking funds are still included in the year's expenditure, and it is argued that consequently the debentures issued in respect of them should be regarded as a portion of the year's ordinary revenue. The fact remains, however, that the Government continues under an obligation to provide those sinking funds. These still remain a statutory portion of the ordinary expenditure, and it is only the balance of revenue that is left after that expenditure has been fully met that can be characterised as a surplus. The issue of debentures may be a convenient way of raising money for public works or other purposes; but their proceeds are not assigned to the service of the debt, and cannot rightly be included as an item of ordinary revenue.

here can be no doubt, therefore, in speaking of the nce of £215,559 as a surplus, the Agent-General is rror, and that the true surplus for the year is the ,770, which represents the difference between the inary revenue and expenditure. And it is in this y, as our correspondent has said, that the New Zea- d surpluses have been continually magnified. What public were misled. However, the chief offender in that matter is no longer a member of the Government, and as the subject is an unsavoury one, we ar eady to let bygones be bygones, if only the Government will recognise in future the distinction between a cash balance and a revenue surplus.

TO THE EDITOR OF THE ECONOMIST.

SIR, The persistent attacks of your Melbourne correspondent upon the finances of New Zealand reach a climax of inaccuracy in your issue of August 22nd. There he tabulates a statement of what he terms "the actual balances of the accounts" for the last four years, which show a total surplus for that period of about £72,000. This he sets against the official surpluses for the same time about £1,664,000 in all and then proceeds to moralise over the contrast. His moralising takes the characteristic form of charging the persons responsible for the official statements with deceit and dishonour. But he makes, unwittingly, an all-important and fatal admission. "The accounts," he writes, "being audited, speak the truth, and thus the inaccurate assertions of Ministers in the long run are confounded." Why "in the long run," one is tempted to ask, when the accounts supposed to perform this work of exposure are published before, not after, the annual Budget? But, putting that aside, the important point is that the accounts to which your correspondent has appealed show him to be utterly wrong and vindicate those he has assailed.

Let us take this year's figures. Your correspondent puts the official surplus at £150,000, and the actual at £48,770. As a matter of fact the official statement when it came out was, and is, not £150,000, but £215,000, or, if you would like to have it exactly, £215,558 16s. Your correspondent's £150,000 must have been got from some newspaper or platform forecast. I have the accounts before me: on the table, as I write, is the *Gazette* referred to by your correspondent. You are welcome to inspect it, but I can hardly think your correspondent has done so. For these accounts, which, "being audited, tell the truth," plainly show that the surplus is £215,558 16s. Your correspondent, if he ever saw this balance-sheet, must have gone to work upon it in a very remarkable way. He must have confined himself to the upper half of each side of it, ignoring entirely the lower half. By subtracting one upper half from the other upper half he has produced his "actual balance." What did he think the lower figures in the sheet were there for, I wonder? Why did he not look down to the words "Balance at end of year," at the bottom of the right-hand side, where he must have read £215,558 16s? Why, in a word, if he believed that these accounts "being audited, tell the truth," did he refuse to accept their statement of the balance?

I shall not descend to the level of retorting insinuations of deceit and dishonour. I can disagree with persons whose notions about public finance seem to me mistaken without charging them with fraud. Nor shall I stop to inquire why a journal of the high and acknowledged standing of the ECONOMIST, when it wants information about New Zealand finance, employs some one in Melbourne to enlighten its readers. If I, being in New Zealand, wanted information about financial matters in Scotland, I should hardly employ a correspondent in New York, however able I might think him to be. That, however, is by the way. I will not follow our correspondent into his statements as to bygone years; enough that I have dealt with this year. *Ex uno disce omnes.* He seems to me, however, to be in this dilemma: either he has written at second-hand of a balance-sheet he has never seen, or, by taking the sheet and deducting one-quarter of the items from another quarter, he has produced a misleading conclusion, ignoring the while the conclusion of the very balance-sheet which he professes so to respect.—I have the honour to be, Sir, your obedient servant,

W. P. REEVES,
Agent-General for New Zealand.

August 25th, 1896.

Bank of Madras,

Madras 29th Sept 1896

Sir K Sheshadri Iyer KCSI

Dewan of Mysore

Bangalore

Sir,

I have the honor to advise having purchased on your account in Bombay a further 2 lacs of 3% 1896/4 paper for delivery on 30th inst @ 102 2/ Shares have been steady for the week & the latest sale was at 102-4

I have the honor to be

Sir

Your Most Obedient Servant

Ag Secretary & Treasurer